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## Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Leslye Krutko  
Scott P. Johnson

**SUBJECT:** SEE BELOW

**DATE:** August 29, 2008

Approved

Date

9-3-08

**COUNCIL DISTRICT:** Citywide

### INFORMATION

**SUBJECT: REPORT ON ACTIVITIES UNDERTAKEN BY THE DIRECTOR OF HOUSING AND THE DIRECTOR OF FINANCE UNDER THE CITY COUNCIL'S DELEGATION OF AUTHORITY FOR THE PERIOD OF APRIL 1, 2008 THROUGH JUNE 30, 2008**

### EXECUTIVE SUMMARY

This Memorandum details actions taken under the City Council's delegation of authority to the Director of Housing and the Director of Finance for the fourth quarter of Fiscal Year 2007-08. During this quarter, the Director of Housing approved: modifications to one existing loan; business terms for three loans; the City's being a co-applicant for the HCD Infill Infrastructure Grant Program; new rehabilitation loans and grants totaling \$966,590; and two Housing Trust Fund Grants to the Santa Clara County Office of Affordable Housing and Community Technology Alliance in the amounts of \$40,000 and \$15,000 respectively. The Director of Finance also conducted one Tax Equity and Fiscal Responsibility Act ("TEFRA") hearing on the issuance of tax-exempt multi-family housing revenue bonds.

### BACKGROUND

On September 4, 1990, the City Council adopted Ordinance No. 23589 which delegated to the Director of Housing certain specified authorities in the administration of the City's comprehensive affordable housing program (the "Delegation of Authority" or "DOA"). On May 23, 2000, the Delegation of Authority was amended by Ordinance No. 26127 to clarify certain sections and add several other provisions. On June 25, 2002, the Delegation of Authority was further amended by Ordinance No. 26657 to add several provisions delegating additional authority to the Director of Housing, the Director of Finance, and the City Manager. Subsequently, the City Manager delegated to the Director of Housing the contract authority granted to the City Manager. Effective July 26, 2007, the Delegation of Authority was further amended by Ordinance No. 28067 to modify certain provisions in order to streamline the

Housing Department's process of making and adjusting loans and grants.

The Delegation of Authority is codified in Chapter 5.06 of the Municipal Code. This Memorandum reports on activities undertaken pursuant to the Administration's delegated authority for the period of April 1, 2008 through June 30, 2008.

### **ANALYSIS**

The Delegation of Authority ordinance authorizes the Director of Housing: to develop and implement additional guidelines for housing programs; to adjust terms on housing loans and grants; to change the funding sources of a loan; to convert loans to grants; to loan or to grant Housing and Homeless funds, Predevelopment funds, and Housing Rehabilitation Program funds; to negotiate and to execute grant agreements necessary to implement Council-approved programs adopted in the Annual Action Plan of the Consolidated Plan; to provide management for, and/or dispose of, properties acquired through direct purchase, foreclosure or deed-in-lieu proceedings; to formalize the City Council's policies and procedures regarding housing loan defaults; to apply for federal or State funding; to determine, within defined parameters, various terms and conditions of loans and grants previously approved by the City Council; to make adjustments, within defined parameters, to loans and grants previously approved by the City Council; and to make other technical changes.

Further, the DOA Ordinance delegates jointly to the Director of Housing and Director of Finance certain authority related to the City's issuance of tax-exempt, private activity bonds to finance the development of affordable housing projects. The DOA Ordinance also delegates to the Director of Finance the authority to hold TEFRA hearings on the City's proposed issuance of tax-exempt bonds to finance affordable housing projects.

### **ACTIONS TAKEN BY THE DIRECTOR OF HOUSING AND THE DIRECTOR OF FINANCE**

Under the parameters of the Delegation of Authority, the Director of Housing and the Director of Finance have taken the following actions during the period of April 1, 2008 through June 30, 2008.

#### **Modifications to Council-approved Loan Terms & Conditions**

##### **Charities Housing Development – Kings Crossing – District: 3 – SNI: N/A**

On April 3, 2008, the Director of Housing approved the City's co-submittal of an application to the California State Department of Housing and Community Development (HCD) for funding of \$4,500,000 under the Infill Infrastructure Grant program. The City's co-applicant is Charities Housing Development Corporation for the Kings Crossing apartment project located at 686 King Road. Charities Housing was awarded the amount of \$4,500,000 on June 30, 2008.

All other terms and conditions remain unchanged.

**Mid-Peninsula Housing Coalition – Hillsdale Townhouses – District: 9 – SNI: N/A**

On September 18, 2007, the City Council approved a funding commitment of up to \$4,275,000 to Mid-Peninsula Housing Coalition for the acquisition and rehabilitation of 48 townhouse units, the Hillsdale Townhouses project, which is located at the Southwest corner of Hillsdale and Meridian Avenues. The construction loan amount was to remain at \$4,275,000 for a 12-month term and was anticipated to be paid down by \$490,771 at the conversion to the permanent period to the amount of \$3,784,229.

The Developer requested a permanent loan increase of the anticipated pay-down amount in order to accommodate a change in financial structure from 4% tax credits/bonds and MHP financing to 9% tax credits. The 9% scenario creates a small gap in permanent financing because the non-basis eligible portion of the acquisition price does not generate any tax credits, and the developer could not find other sources to cover this gap. The request is a non-cash item, as it allows the City to simply forego the \$490,771 pay-down that was anticipated for conversion.

On April 8, 2008, the Director of Housing approved an increase to the permanent loan commitment by \$490,771 from \$3,784,229 to \$4,275,000. All other terms and conditions remain the same.

**Loans/Grants Terms and Conditions**

**Charities Housing Development - Kings Crossing – District: 3 – SNI: N/A**

On June 6, 2006, the City Council approved a funding commitment to of up to \$5,250,700 of HOME Funds to Charities Housing Development Corporation (CHDC) for the future development of a rental housing project affordable to ELI and VLI households. On March 18, 2008, the City Council approved a conditional funding commitment of up to \$5,250,700 in HOME funds and up to \$5,315,000 20% funds to CHDC specifically for the development of Kings Crossing, a 93-unit family affordable rental housing project located at 686 North King Road.

On April 28, 2008, the Director of Housing approved the specific business terms for the Council-approved acquisition/predevelopment loan as follows:

<b>Loan Terms—Acquisition/Predevelopment Loan</b>	
Loan Amount:	\$7,603,056, comprised of \$5,315,000 of 20% funds and \$2,288,056 of HOME funds
Interest Rate:	4.00% Simple
Loan Term:	18 Months
Repayment:	Principal & Interest due at the sooner of Maturity or at close of Construction/Permanent Loan

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Total Affordable Units:	Total 94 units <ul style="list-style-type: none"> <li>▪ 10 units @15% area median income (AMI)</li> <li>▪ 19 units @ 25% AMI</li> <li>▪ 13 units @ 30% AMI</li> <li>▪ 50 units @ 45% AMI</li> <li>▪ 2 unrestricted Managers' Units</li> </ul>
Affordability Term:	55 Years

**Family Supportive Housing, Inc. – New San José Family Shelter – District: 3 – SNI: N/A**

On March 11, 2008, the City Council approved a funding commitment of up to \$6,291,000 of Multi-Source Housing Funds to Family Supportive Housing, Inc. (FSH) for the construction and permanent financing of the New San José Family Shelter. FSH plans to build, own and operate 35 rental units or 143 beds to house San José's emergency and short-term homeless population with incomes at or below 30% AMI. The replacement shelter will be built on a .05-acre portion of the new 25-acre, master-planned Newbury Park Community located at the northeast corner of North King Road and Dobbin Drive.

On June 10, 2008, the City Council approved the Housing Department's recommendation to rescind the 50-unit very low-income (VLI) affordability restriction on the site of the existing Family Shelter and reconvey and record a new restriction for 35 units or 143 beds for extremely low-income (ELI) residents on the new shelter's site.

On June 12, 2008, the Director of Housing approved the business terms for a construction and permanent conditional grant to Family Supportive Housing, Inc. in the amount of up to \$6,291,000 for the new San José Family Shelter, as follows:

<b>Loan Terms— Construction/Permanent Loan</b>	
Loan Amount:	\$6,291,000
Interest Rate:	0.00% Simple
Loan Term:	36 Months
Repayment:	None required if property is maintained for its use in providing ELI housing for 75-year term of Affordability Restrictions
Total Affordable Units:	Total 35 rental units or 143 beds to house San José emergency and short term homeless population
Affordability Term:	75 Years

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**Bill Wilson Center – Peacock Court, Santa Clara – District: N/A – SNI: N/A**

On June 17, 2008, the Director approved staff to enter into a conditional HOME Agreement for funding to the Bill Wilson Center to acquire and rehabilitate a 28-unit apartment building, Peacock Court, in order to serve youth aging out of foster care. The Agreement pertains to the City's loan commitment for which staff had already submitted a request to the City Council to be heard on August 5, 2008. Due to a recent change in practice by the Planning Department, the City Council could not commit funds until after the National Environmental Policy Act (NEPA) review was received. However, this action was necessary to be taken in July in order for staff to meet the HUD deadline of July 31, 2008, for commitment of HOME funds as entered into the HUD information system. The conditional HOME Agreement was signed predicated upon the occurrence of two events: 1) the adoption of a resolution by the City Council committing funding to the project; and, 2) the delay of the Agreement execution until the completion of the project's NEPA review.

On August 5, 2008, the City Council approved the funding commitment for Peacock Court, and the NEPA review was completed in July 2008.

**Housing Trust Fund Grants**

During the period of April 1, 2008 through June 30, 2008, the Director of Housing approved the following grants:

Agency Name	Project Name	Funded Amount	Approval Date	Project Description
Santa Clara County Office of Affordable Housing	UPLIFT Program	\$40,000	April 4, 2008	Funds will be used to partially support the UPLIFT program, which provides 1,850 transit passes.
Community Technology Alliance	UPLIFT Program	\$15,000	June 20, 2008	To purchase a printer for the UPLIFT program.
<b>TOTAL:</b>		<b>\$55,000</b>		

**Housing Rehabilitation and Improvement Loans and Grants:**

During this quarter, the Director of Housing approved the following Loans and Grants:

ACTIVITY	NUMBER	AMOUNT
REHABILITATION LOANS	6	\$174,090
REHABILITATION GRANTS	49	\$792,500
ENERGY GRANTS (stand-alone)	0	0
<b>TOTAL:</b>	<b>55</b>	<b>\$966,590</b>

**Predevelopment Loans**

On March 20, 2007, the City Council approved a funding commitment of \$9,875,000 to First Community Housing for the 100-unit North Fourth Street Apartments project, located at 1470 North Fourth Street, of which \$1,095,000 financed the property acquisition.

On April 10, 2008, the Director of Housing approved a predevelopment loan of up to \$100,000 to First Community Housing (FCH) in connection with its Fourth Street Apartments project. Subsequently, the Sponsor requested an additional \$400,000 of predevelopment funding to keep the project moving forward. On June 24, 2008, the City Council approved the sponsor's predevelopment loan increase of \$400,000 to finance pre-construction "soft costs".

<b>Loan Terms—Predevelopment Loan</b>	
Loan Amount:	\$500,000
Interest Rate:	3.00% Simple
Loan Term:	24 Months
Repayment:	Principal & Interest due at the sooner of Maturity or at close of Construction/Permanent Loan
Total Affordable Units:	Total 100 units, with no fewer than 20 units $\leq$ 80% AMI
Affordability Term:	55 Years

**TEFRA Hearings**

The Director of Finance held a TEFRA hearing for the Woodside Apartments Project on April 24, 2008, to notify the public of the California Statewide Communities Development Authority's ("CSCDA") intent to issue tax-exempt multifamily housing revenue bonds in an amount not to exceed \$20,000,000 to finance the costs of acquisition and rehabilitation.

<b>Project Name</b>	<b>Units</b>	<b>Location</b>	<b>Bond Amount</b>	<b>Mayor's Certificate No.</b>
Woodside Apartments	106	2557 Alvin Avenue, San José, CA 95121	\$20,000,000	Certificate No. 2008-1 Adopted.

The public had the opportunity to comment on the project during the TEFRA hearing. Notice for this meeting was published at least fifteen (15) days prior to the hearing date.

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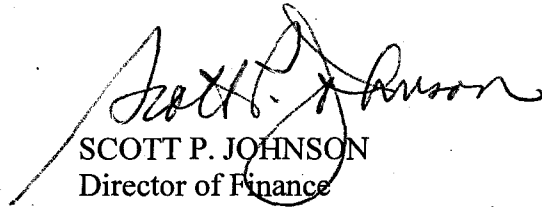
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**COORDINATION**

Preparation of this report has been coordinated with the City Attorney's Office.



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Director of Finance



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For more information, contact Leslye Krutko, Director of Housing, at (408) 535-3851.

